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**IN THE UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

DANCO, INC. a Delaware corporation,
Plaintiff,

v.

FLUIDMASTER, INC., a California
corporation,
Defendants.

Case No. 8:23-cv-01156-AB (DFMx)
Honorable Judge Andre Birotte, Jr.

**PLAINTIFF DANCO, INC.'S
MEMORANDUM IN OPPOSITION
TO MOTION TO STAY ALL
PROCEEDINGS PENDING *INTER
PARTES* REVIEW**

Date: April 5, 2024, at 10:00 a.m.

1 Plaintiff Danco, Inc. (“Plaintiff” or “Danco”), by and through its undersigned
2 counsel, submits this Memorandum in Opposition to Defendant Fluidmaster, Inc.’s
3 (“Defendant” or “Fluidmaster”) Motion to Stay All Proceedings Pending *Inter Partes*
4 Review (“IPR”) (Dkt. 48), respectfully showing this honorable Court that the motion
5 for delay of proceedings and the Court’s ordered schedule in this matter should be
6 denied, as follows:

7 **I. INTRODUCTION**

8 Fluidmaster seeks a stay of all proceedings in this Court in the above-
9 captioned patent infringement matter pending IPR, even though the U.S. Patent and
10 Trademark Office (“USPTO”) will not even decide for another six months the issue
11 of whether any or all of Fluidmaster’s recently-filed petitions will even be
12 instituted. Fluidmaster filed its petitions after requesting and receiving two
13 extensions of time, totaling 104 days, to respond to formal allegations of
14 infringement of the three patents-in-suit first alleged in the Complaint nine months
15 ago.

16 While Fluidmaster elected to continue its delay in filing IPR petitions, the
17 Court entered two scheduling orders and set a trial date for June 2025. Patent
18 disclosures and discovery have commenced. At present and throughout what would
19 be an indeterminant stay of adjudication of Danco’s patent rights, Fluidmaster
20 continues to make, offer to sell, and sell numerous accused products that infringe
21 Danco’s asserted patents, causing Danco to both lose customers that it would not
22 have lost had the case proceeded and be forced to compete against its own patented
23 technology, losing brand recognition in the process.

24 **II. BACKGROUND**

25 Fluidmaster’s window for petitioning the USPTO for IPR opened on June 28,
26 2023 (*see* Dkt. 1, Danco’s Complaint for patent infringement), almost nine months
27 ago. According to Defendant’s statement in the parties’ Joint Rule 26(f) Report,
28

1 “Fluidmaster states that it has insurance coverage for the defense of the claims in this
2 action” and thereby was aware of the patents and claims now asserted in this case
3 even before the filing of the Complaint in June 2023 (*see* Dkt. 47 at 4).

4 Moreover, shortly after the Complaint was filed Fluidmaster solicited Danco
5 for a request for a waiver of service (to which Danco agreed), thereby extending
6 Fluidmaster’s time to answer or otherwise respond to the Complaint to 60 days after
7 effecting the request for waiver of service, or September 26, 2023. Shortly before its
8 extended deadline to answer the Complaint, Fluidmaster requested that Danco (1)
9 amend its Complaint to add more specificity to the infringement allegations in the
10 form of claim charts, in lieu of threatened motion practice on this issue, and (2)
11 provide Defendant another, additional 30-day extension of its time (beyond the
12 Federal Rules’ deadline) to answer or otherwise answer the amended complaint. In
13 effect, this provided Defendant with 44 additional days to respond to the amended
14 complaint. Danco obliged, and on October 2, 2023, filed its Amended Complaint (*see*
15 Dkt. 35). Fluidmaster raised no issues with the specificity of Danco’s Amended
16 Complaint, consisting of the same asserted patents and infringement allegations
17 therein that were raised in Danco’s original Complaint in June 2023.¹

18 After the eventual filing of Fluidmaster’s answer, the parties worked diligently
19 pursuant to the Court’s Order Setting Scheduling Conference (Dkt. 39) to confer on
20 and file a Joint Rule 26(f) Report (*see* Dkt. 42). On February 7, 2023, the Court set
21 this case for trial on June 10, 2025, and ordered the parties to set a patent-specific
22 disclosure and claim construction schedule consistent with *Fluidmaster’s* requested
23 schedule (*see* Dkt. 45 at 2-3). The parties duly complied, and pursuant to the Court’s
24 Order Granting Joint Stipulation Regarding Patent Schedule (Dkt. 47), Danco timely
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26
27 ¹ Danco’s Complaint and Amended Complaint both assert infringement by
28 Fluidmaster of U.S. Patent No. 9,103,105, No. 9,139,993, and No. 10,934,698.

1 filed its Disclosure of Asserted Claims and Preliminary Infringement Contentions.²

2 Fluidmaster's intentional delay of nine months in filing its petitions for *Inter*
 3 *Partes Review* ("IPR") of the asserted patents and its accompanying instant motion
 4 to stay, after trial has been set and discovery and claim construction disclosures are
 5 already underway, unduly prejudices Danco, its competitor and owner of the asserted
 6 patents. Accordingly, Fluidmaster's motion seeking to delay and stay all proceedings
 7 in this case before the USPTO has even ruled on whether to institute IPR on any of
 8 the three asserted patents and 51 asserted claims should be denied in its entirety, or
 9 at least denied without prejudice to Defendant's ability to re-file its motion when the
 10 USPTO eventually decides whether and to what extent to institute IPR.

11 **III. LEGAL STANDARDS**

12 A court's "power to stay proceedings is incidental to the power inherent in
 13 every court to control the disposition of the causes on its docket with economy of
 14 time and effort for itself, for counsel, and for litigants." *Landis v. N. Am. Co.*, 299
 15 U.S. 248, 254, 57 S. Ct. 163, 81 L. Ed. 153 (1936). In deciding how best to exercise
 16 this inherent power, the court "must weigh competing interests and maintain an even
 17 balance." *Id.* at 254-55. "The determination of whether to grant a stay pending the
 18 outcome of the IPR is soundly within the Court's discretion." *Prime Focus Creative*
 19 *Servs. Canada Inc. v. Legend3D, Inc.*, No. CV-15-2340-MWF (PLAx), 2016 U.S.
 20 Dist. LEXIS 205293, at *5 (C.D. Cal. Sep. 14, 2016).

21 With regard to deciding whether to stay litigation pending IPR, courts
 22 generally consider the following three factors:

- 23 1. whether discovery is complete and whether a trial date has been set;
- 24 2. whether a stay will simplify the issues in question and trial of the case; and
- 25 3. whether a stay would unduly prejudice or present a clear tactical

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 27 ² See Exhibit A (omitting Exhibits A-I for the Court's convenience).

1 disadvantage to the non-moving party.

2 *Wonderland Nurserygoods*, 2015 U.S. Dist. LEXIS 53053, 2015 WL 1809309, at
3 *2 (quoting *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp.
4 2d 1028, 1030-31 (C.D. Cal. 2013)).

5 Ultimately, “the totality of the circumstances governs,” *Wonderland*
6 *Nurserygoods*, 2015 U.S. Dist. LEXIS 53053, 2015 WL 1809309, at
7 *2 (quoting *Universal Elecs.*, 943 F. Supp. 2d at 1031), and “a stay is never
8 required,” *id.* Whether “to grant a stay falls within the court’s sound
9 discretion.” *CANVS Corp. v. United States*, 118 Fed. Cl. 587, 591 (2014). “While
10 case law supplies these general considerations, the Court ultimately must decide
11 whether to issue a stay on a case-by-case basis.” *GoPro, Inc. v. C&A Mktg.*, No. 16-
12 cv-03590-JST, 2017 U.S. Dist. LEXIS 92480, at *5 (N.D. Cal. June 15, 2017).

13 The moving party has the burden to persuade the court that a stay is
14 appropriate. *Netlist, Inc. v. Smart Storage Sys., Inc.*, 2014 U.S. Dist. LEXIS 116979,
15 2014 WL 4145412, at *1 (N.D. Cal. Aug. 21, 2014).

16 **IV. ARGUMENT**

17 **A. DEFENDANT’S DELAY IN SEEKING IPR WEIGHS AGAINST** 18 **ISSUANCE OF STAY OF ALL PROCEEDINGS AT THIS STAGE** 19 **OF THE LITIGATION, NOW THAT TRIAL HAS BEEN SET.**

20 Fluidmaster did not act with reasonable diligence in filing its three IPR
21 petitions and the associated motion to stay. Fluidmaster waited nine months from the
22 filing of the Complaint and 5 months from the filing of the Amended Complaint to
23 file its IPR petitions and to seek a stay of all proceedings in the case. Immediately
24 upon Fluidmaster’s answer to the Complaint, the Court entered its Order Setting
25 Scheduling Conference on November 16, 2023 (Dkt. 39). The parties subsequently
26 met and conferred and then filed their Joint Rule 26(f) Report and proposed schedules
27 on January 26, 2024 (Dkt. 42). The Court issued its scheduling Order on February 7,

2024 (Dkt. 45), setting this case for trial on June 10, 2025, at 8:00 a.m. On February 14, 2024, the Court further ordered a schedule for patent-specific disclosures (Dkt. 47). Pursuant to this order, Danco served its disclosure of asserted claims and preliminary infringement contentions on February 23, 2023 (*see* Ex. A).

The Federal Circuit has made clear that “courts are not obligated to ignore advances in the litigation” at the time it considers a motion to stay. *GoPro, Inc.*, 2017 U.S. Dist. LEXIS 92480, at *6-7, citing *Versata Software, Inc. v. Callidus Software, Inc.*, 771 F.3d 1368, 1373 (Fed. Cir. 2014) (holding that a district court may properly wait for an institution decision before resolving a motion to stay pending IPR) (vacated on other grounds, 780 F.3d 1134 (Fed. Cir. 2015)).

Importantly, the Court has set a June 2025 trial date and accompanying pretrial deadlines. The Court has also set a date for the claim construction hearing (*see* Dkt. 47 at 2-3). The parties have commenced discovery and the patent-specific disclosures on the schedule jointly stipulated by the parties and entered by the Court. As such, this factor weighs against halting the demonstrable progress of this case on the Court’s already-ordered schedules, at a minimum until such time as the USPTO issues its decisions on whether to institute IPR in the first place.

B. A STAY OF ALL PROCEEDINGS IS PREMATURE, AS WHETHER THE NEWLY-FILED IPR PETITIONS WILL RESULT IN SIMPLIFICATION OF THE ISSUES IS PURELY SPECULATIVE.

The USPTO has not yet decided whether it will institute IPR for any of the asserted patents and will not make that decision until six months from Fluidmaster’s March 6, 2024, filing of its IPR petitions, which decision date is September 6, 2024. *See* 35 U.S.C. § 314(b). Still yet, even if IPR were to be instituted, there is no way for the parties or the Court to know which patents and claims would be implicated. In any event, any IPR instituted on Fluidmaster’s petitions would not be resolved for at least another year (September 2025) and possibly another six months after that

1 (March 2026). *See* 35 U.S.C. § 316(a)(11).

2 Notably, Fluidmaster’s suggestion at this point that the “a decision by the
3 [USPTO] instituting *inter partes* review and re-examining the validity of [the] patents
4 will certainly simplify the issues for trial” is pure speculation. The filing of IPR
5 petitions alone does nothing to simplify issues in the case unless they are ultimately
6 instituted and successful, and the USPTO will not issue its institution order(s) until
7 at least September 2024.

8 Likewise, there is no way of knowing, as of the date of the Court’s
9 consideration of the instant motion, whether the USPTO will even institute IPR. If
10 the USPTO does not institute IPR on Fluidmaster’s petitions then no simplification
11 of any of the infringement issues is question will occur. Although delaying until
12 September 2024, when the USPTO must decide whether to institute IPR, “guarantees
13 six months of delay, it does not necessarily guarantee six months’ worth of clarity.”
14 *SenoRx, Inc. v. Hologic, Inc.*, 2013 U.S. Dist. LEXIS 8044, 2013 WL 144255, at *9
15 n.11 (D. Del. Jan. 11, 2013).

16 Hence, the Court should not decide this motion in favor of Fluidmaster based
17 on mere speculation about what the USPTO may or may not do. “With respect to this
18 factor, the Court finds most relevant the fact that [Fluidmaster]’s petition was filed
19 shortly before its motion, review has not yet been instituted, and the institution
20 decision will not come for several months.” *GoPro, Inc.*, 2017 U.S. Dist. LEXIS
21 92480, at *9 (N.D. Cal. June 15, 2017). “[T]he balance does not shift in [favor of
22 stay] [] until the PTO has granted the [IPR] application.” *Id.*, citing *TPK Touch*
23 *Solutions, Inc. v. Wintek Electro-Optics Corporation*, No. 13-cv-02218-JST, 2013
24 U.S. Dist. LEXIS 162521, 2013 WL 6021324, at n.1 (N.D. Cal. Nov. 13, 2013).

25 The Court should deny Fluidmaster’s motion as premature in view of the fact
26
27

1 that the USPTO has not yet granted any petition for IPR.³ *See, e.g., SAGE*
 2 *Electrochromics, Inc. v. View, Inc.*, 2015 U.S. Dist. LEXIS 1056, 2015 WL 66415,
 3 at *5 (N.D. Cal. Jan. 5, 2015); *Unwired Planet, LLC v. Square, Inc.*, 2014 U.S. Dist.
 4 LEXIS 140831, 2014 WL 4966033, at *5-6 (D. Nev. Oct. 3, 2014); *Netlist*, 2014 U.S.
 5 Dist. LEXIS 116979, 2014 WL 4145412, at *3.

6 **C. A STAY OF ALL PROCEEDINGS WILL UNDULY PREJUDICE**
 7 **PATENT-OWNER DANCO.**

8 Danco should not be forced to endure further delay in the progress of this case
 9 while the parties and the Court wait for IPR that may never come. Courts “expect
 10 accused infringers to evaluate whether to file, and then to file, IPR petitions as soon
 11 as possible after learning that a patent may be asserted against them.”
 12 *GoPro, Inc.*, 2017 U.S. Dist. LEXIS 92480, at *13.

13 After seeking and receiving two extensions of time to respond to Danco’s
 14 complaints for patent infringement, Fluidmaster delayed seeking IPR of any of the
 15 asserted patents until nine months after first being formally put on notice of its alleged
 16 infringement of the three patents-in-suit by the Danco’s filing of the Complaint.
 17 Moreover, Fluidmaster has already admitted that even before the filing of Danco’s
 18 Complaint it procured insurance coverage for defense of the infringement allegations
 19 raised in the Complaint, which policy coverage Fluidmaster must have applied for
 20 more than nine months ago and before the Complaint was filed (*see* Dkt. 42 at 4).

21 Furthermore “[i]n patent infringement cases, courts often find that prejudice is
 22 likely “[w]here the parties are direct competitors.” *Drink Tanks Corp. v.*
 23 *Growlerwerks, Inc.*, No. 3:16-cv-410-SI, 2016 U.S. Dist. LEXIS 91964, at *14 (D.
 24 Or. July 15, 2016), citing *Tesco Corp. v. Weatherford Int’l, Inc.*, 599 F. Supp. 2d 848,

25 _____
 26 ³ Danco submits that the Court should deny the instant motion in its entirety, and
 27 permit Fluidmaster to refile its motion for a stay if the USPTO later accepts review
 28 of all the asserted patents and claims.

851 (S.D. Tex. 2009). “When the parties directly compete against each other for market share, infringement causes ‘harm in the marketplace that is not compensable by readily calculable money damages.’” *Avago Techs. Fiber IP (Singapore) Pte. Ltd. v. IPtronics Inc.*, 2011 U.S. Dist. LEXIS 82665, 2011 WL 3267768, at *5 (N.D. Cal. July 28, 2011). “Staying a case while such harm is ongoing can cause prejudice to the patent owner ‘that seeks timely enforcement of its right to exclude.’” *Id.* Consequently, in cases of direct competition between litigants, generally “courts presume that a stay will prejudice the non-movant.” *Drink Tanks Corp.*, 2016 U.S. Dist. LEXIS 91964 (quoting *ADA Sols., Inc. v. Engineered Plastics, Inc.*, 826 F. Supp. 2d 348, 351 (D. Mass. 2011)).

Here, there is no dispute between the parties that Danco and Fluidmaster are primary competitors in the market for toilet fill valve repair and replacement kits among the common distributors and retailers of such products.⁴ A stay may cause Danco to lose customers that it would not have lost had the case proceeded, and Danco also may be forced to compete against its own patented technology being usurped by Fluidmaster, losing brand recognition in the process. Such losses may be difficult to calculate in terms of money damages.

As a result, even a short stay may cause undue prejudice to Danco, particularly given the uncertainty surrounding whether the USPTO will even institute IPR on any of Fluidmaster’s three petitions. “[T]his sub-factor weighs against issuing a stay when the PTO has not yet decided whether to grant IPR.” *GoPro, Inc.*, 2017 U.S. Dist. LEXIS 92480, at *15 (N.D. Cal. June 15, 2017), citing *SAGE Electrochromics, Inc. v. View, Inc.*, No. 12-cv-06441-JST, 2015 U.S. Dist. LEXIS 1056, 2015 WL 66415, at *4 (N.D. Cal. Jan. 5, 2015); *TPK Touch Solutions, Inc. v. Wintek Electro-Optics Corporation*, No. 13-cv-02218-JST, 2013 U.S. Dist.

⁴ See Exhibit B (ranked by best-selling toilet fill valve replacement kits).

1 LEXIS 162521, 2013 WL 6021324, at *5 (N.D. Cal. Nov. 13, 2013). If the USPTO
2 denies institution on all three petitions, Danco will have suffered harm without
3 gaining any clarity concerning assertion of its otherwise enforceable patent claims
4 against Fluidmaster. Because the USPTO may not act on Fluidmaster's petitions until
5 September 2024, the status of IPR proceedings supports a finding of prejudice if the
6 Court were to issue a stay of all proceedings at this time.

7 Regarding Fluidmaster's argument that Danco did not seek a temporary
8 restraining order or preliminary injunction, most courts, on a motion to stay, "will
9 not hold against [the patentee] its decision to spare the parties more litigation [in the
10 form of a motion for preliminary injunction]." *Universal Elecs.*, 943 F. Supp. 2d at
11 1034 (quoting *Avago*, 2011 U.S. Dist. LEXIS 82665, 2011 WL 3267768, at *6). "A
12 party's decision not to seek a temporary restraining order or preliminary injunction
13 can be attributed to any number of factors, 'such as the high burden one must face to
14 obtain a preliminary injunction and the difficulty in doing so without first having
15 access to substantial discovery.'" *Drink Tanks Corp.*, 2016 U.S. Dist. LEXIS 91964,
16 at *16, citing *SenoRx*, 2013 U.S. Dist. LEXIS 8044, 2013 WL 144255, at *8. "The
17 Court agrees that refraining from seeking a temporary restraining order or
18 preliminary injunction does not weigh against a finding of prejudicial harm for
19 purposes of a motion to stay." *Id.*

20 Danco has otherwise duly litigated this case in accordance with the parties'
21 schedule stipulations and the Court's scheduling orders, having timely served its
22 comprehensive disclosure of preliminary infringement contentions on February 23,
23 2024, as well as interrogatories and requests for production of documents and things
24 shortly thereafter. Fluidmaster's responses to Danco's discovery requests are due on
25 April 4, 2024, before the scheduled hearing of the instant motion. Fluidmaster's
26 disclosure of invalidity contentions, reciprocating Danco's February 23, 2024,
27 disclosure of infringement contentions served two weeks before Fluidmaster filed its

1 motion to stay, is due on April 8, 2024 (*see* Dkt. 47 at 1).

2 The Court should, therefore, find that the prejudice factor weighs against
3 granting a stay, in view of the material progress already made on the Court's case
4 schedule and with trial already set for 15 months from now.

5 **V. CONCLUSION**

6 For the foregoing reasons, Danco respectfully requests that Defendant
7 Fluidmaster, Inc.'s Motion to Stay All Proceedings Pending *Inter Partes* Review
8 (Dkt. 48) be denied in its entirety, or at least denied without prejudice to re-file said
9 motion if and when the USPTO institutes IPR on all asserted claims of the three
10 asserted patents.

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26 *Counsel for Plaintiff Danco, Inc.*

CERTIFICATE OF COMPLIANCE

The undersigned counsel of record for Plaintiff Danco, Inc., certifies that this brief contains 2,956 words, which:

 X complies with the word limit of L.R. 11-6.1.

 complies with the word limit set by court order dated [date].

DATED: March 15, 2024

/s/ Eric G. Maurer

Eric G. Maurer

Counsel for Plaintiff Danco, Inc.

CERTIFICATE OF SERVICE

I certify that on March 15, 2024, I electronically filed the foregoing PLAINTIFF DANCO'S OPPOSITION TO DEFENDANT'S MOTION TO STAY ALL PROCEEDINGS PENDING *INTER PARTES* REVIEW with the Clerk of Court using the CM/ECF system which will send notification of such filing to all counsel and parties of record.

DATED: March 15, 2024

/s/ Eric G. Maurer

Eric G. Maurer

Counsel for Plaintiff Danco, Inc.

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